INNOVATION SASKATCHEWAN

FINANCIAL STATEMENTS

For the Year Ended March 31, 2011

Provincial Auditor Saskatchewan

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INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of Innovation Saskatchewan, which comprise the statement of financial position as at March 31, 2011, and the statements of operations and accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Innovation Saskatchewan as at March 31, 2011, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Regina, Saskatchewan
July 18, 2011

Bonnie Lysyk, MBA, CA
Provincial Auditor

Statement 1

INNOVATION SASKATCHEWAN
STATEMENT OF FINANCIAL POSITION
As at March 31

(thousands of dollars)

	2011
Financial Assets:	
Due from General Revenue Fund (Note 3)	$ 9,086
Accounts receivable (Note 5)	6
	9,092
Liabilities:	
Accounts payable and Accrued Liabilities (Note 5)	294
Net financial assets (Statement 3)	8,798
Non-financial Assets	---
Accumulated Surplus (Statement 2)	$ 8,798

(See accompanying notes to the financial statements)

INNOVATION SASKATCHEWAN
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
Year Ended March 31

(thousands of dollars)

	Budget 2011	Actual 2011
Revenue		
Grants from the General Revenue Fund (Note 10)	$ 1,318	$ 9,818
Other	---	309
	1,318	10,127
Expenses		
Administration	838	770
Program Grants	480	559
	1,318	1,329
Annual Surplus	$ ---	8,798
Accumulated Surplus, Beginning of Year		---
Accumulated Surplus, End of Year (Statement 1)		$ 8,798

(See accompanying notes to the financial statements)

Statement 3

INNOVATION SASKATCHEWAN
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
Year Ended March 31

(thousands of dollars)

	2011
Annual Surplus	$ 8,798
Net financial Assets, Beginning of Year	---
Net Financial Assets, End of Year (Statement 1)	$ 8,798

(See accompanying notes to the financial statements)

INNOVATION SASKATCHEWAN
STATEMENT OF CASH FLOWS
Year Ended March 31

(thousands of dollars)

Cash Provided by Operating Activities		
Cash Receipts from General Revenue Fund	$	10,415
Cash Receipts from Other Operating Activities (e.g., cost recovery)		---
Cash Paid to Suppliers and Employees		(1,329)
Cash Provided by Operating Activities		9,086
Increase in Due from General Revenue Fund		9,086
Due for General Revenue Fund, Beginning of Year		---
Due from General Revenue Fund, End of Year	$	9,086

(See accompanying notes to the financial statements)

INNOVATION SASKATCHEWAN
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2011

1. Status of Innovation Saskatchewan

Innovation Saskatchewan was established under the provisions of *The Innovation Saskatchewan Act.*

Innovation Saskatchewan is the central agency of the Government of Saskatchewan with responsibility for implementing Saskatchewan's innovation priorities. Innovation Saskatchewan coordinates the strategic direction of the government's research and development and science and technology expenditures; provides advice on science and technology policy; coordinates the establishment and maintenance of science, research and development infrastructure; and provides advice and recommendations on research, development, demonstration, and the commercialization of new technologies and innovative processes in Saskatchewan.

Innovation Saskatchewan is a corporate body eligible to receive monies primarily appropriated by the legislature for these purposes. It began operations on April 1, 2010.

2. Significant Accounting Policies

These financial statements are prepared using Canadian generally accepted accounting principles appropriate for the public sector and reflect the following significant accounting principles:

a) Revenue

Grants from the General Revenue Fund are unrestricted in nature and recognized as they are received or receivable.

b) Expenses

Expenses represent the cost of resources consumed during the year for operations and grants made to third-party organizations. Grants are recognized as expenses in the year during which the transfer is authorized and eligibility criteria are met.

c) Non-financial Assets

Non-financial assets are accounted for as assets because they can be used to provide services in future periods. These assets do not normally provide resources to discharge existing liabilities unless they are sold.

d) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities and disclosure of contingent assets and liabilities at the date

of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the Statement of Operations and Accumulated Surplus in the year in which they become known.

3. Due from General Revenue Fund

Innovation Saskatchewan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. Interest is paid on a quarterly basis at the government's 30-day average interest rate. The average rate for 2010-11 was 0.80%.

4. Budget Approval

Innovation Saskatchewan's original budget was developed on December 16, 2009 and was subject to the Minister's approval. Once the Board was established the budget was reviewed by the Board on February 18, 2010.

5. Related Parties

These financial statements include routine transactions with related parties. Innovation Saskatchewan is related to all Saskatchewan Crown agencies such as ministries, corporations, boards, and commissions under the common control of the Government of Saskatchewan.

Related party transactions and amounts due to/from related parties at March 31, 2011 include the following:

	(thousands of dollars) 2011
Revenue	
General Revenue Fund	$ 10,127
Expense	
Ministry of Government Services	$ 37
Ministry of Energy and Resources	77
University of Saskatchewan	30
SaskTel	5
Accounts Receivable	6
Accounts Payable	72

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

Routine operating transactions with related parties are recorded at the rates charged by those organizations and are settled on normal trade terms. In addition, Innovation Saskatchewan pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases.

6. Financial Instruments

Innovation Saskatchewan's financial instruments include: Due from the General Revenue Fund, Accounts Receivable and Accounts Payable. The carrying amount of these instruments approximates fair value due to their short-term nature. These instruments have no material interest or credit risk.

7. Expense by Object

	(thousands of dollars)
Goods and Services	$ 197
Grants and Transfers	456
Pension Benefits	72
Salaries and Benefits	563
Travel	41
	$ 1,329

8. Contractual Obligations

Contractual obligations include:

Innovation Saskatchewan has lease agreements primarily with the Ministry of Government Services, a related party, for office space.

Innovation Saskatchewan has operating agreements that enable day-to-day operations of the agency.

Innovation Saskatchewan has only one program related obligation, that being the TRLabs contract transferred from Enterprise Saskatchewan.

	Leases	Operational	Programming	Total
2011-12	$ 63,949	$ 24,500	$ 76,250	$ 164,699

Contractual obligations do not include those contracts which are paid on a usage basis.

9. **Designated Assets** (thousands of dollars)

Innovation Saskatchewan is holding $8,798 in designated assets to be spent on the following programs in the 2011-12 fiscal year.

- The $8,500 grant from the General Revenue Fund will be used as follows:
  - $4,000 for the purchase and installation of a PET-CT scanner at the Royal University Hospital in Saskatoon, as announced on March 4, 2011;
  - $3,500 for a new Canadian Centre for Nuclear Innovation (CCNI) at the University of Saskatchewan, as announced on March 2, 2011; and,
  - $1,000 for research into small reactor technology and studies on reactor safety.

- With the remaining $298, Innovation Saskatchewan will be undertaking additional work including expanding the Jurisdictional Advantage Assessment and developing communication materials and website.

10. **Grants from the General Revenue Fund**

Innovation Saskatchewan's grants from the General Revenue Fund totalled $9.8 million. This comes from the $1.3 million as the original Budget for Innovation Saskatchewan plus the $8.5 million for Saskatchewan's nuclear and development strategy (Note 9).

Innovation Saskatchewan's Other Revenue is $309,000. This consists of a $300,000 dollar grant from the Ministry of Energy and Resources plus $9,000 in interest on investments.